

1                                   **ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

2   In the Matter of the Collection Agency License of:   No. 08F- 001-SBD

3   **LIEN AND BOND SERVICES, L.L.C. AND**  
4   **JULIA L. D'ALFONZO, PRESIDENT**  
5   1859 North Rosemont  
6   Mesa, Arizona 85205

**ORDER TO CEASE AND DESIST;  
NOTICE OF OPPORTUNITY FOR  
HEARING; CONSENT TO ENTRY OF  
ORDER**

6                                   Respondents.

7  
8           The Superintendent of Arizona Department of Financial Institutions (the "Superintendent"),  
9 makes the following Findings of Fact and Conclusions of Law and enters the following Order  
10 pursuant to Arizona Revised Statutes ("A.R.S.") § 6-137.

11           Pursuant to Titles 6 and 41 of the Arizona Revised Statutes and Title 20, Chapter 4 of the  
12 Arizona Administrative Code ("A.A.C."), Respondents are hereby notified that they are entitled to a  
13 hearing to contest the allegations set forth in this Order. The Request for Hearing shall be filed with  
14 the Arizona Department of Financial Institutions (the "Department") pursuant to A.R.S. § 6-137(D)  
15 within **thirty (30) days** of service of this Order and shall identify with specificity the action or order  
16 for which review is sought in accord with A.R.S. § 41-1092.03(B).

17           Pursuant to A.R.S. §§ 41-1092.01(D) and 41-1092.03(B), any person may appear on his or  
18 her own behalf or by counsel. If Respondents are represented by counsel, the information required  
19 by A.R.S. § 41-1092.03(B) shall be included in the Request for Hearing. Upon the filing of a  
20 Request for Hearing, the Department shall issue a Notice of Hearing scheduling the matter for  
21 hearing in accordance with A.R.S. § 41-1092.05. **Persons with disabilities may request**  
22 **reasonable accommodations such as interpreters, alternative formats, or assistance with**  
23 **physical accessibility.** Requests for special accommodations must be made as early as possible to  
24 allow time to arrange the accommodations. If accommodations are required, call the Office of  
25 Administrative Hearings at (602) 542-9826.

26           Respondents have the right to request an Informal Settlement Conference, pursuant to A.R.S.

1 § 41-1092.06 by filing a written request no later than **twenty (20) days** before the scheduled hearing.  
2 The conference will be held within **fifteen (15) days** after receipt of your request. If an Informal  
3 Settlement Conference is requested, a person with the authority to act on behalf of the Department  
4 will be present (the "Department Representative"). Please note that in requesting an Informal  
5 Settlement Conference, Respondents waive any right to object to the participation of the Department  
6 Representative in the final administrative decision of this matter, if it is not settled. In addition, any  
7 written or oral statement made by Respondents at such informal settlement conference, including  
8 written documentation created or expressed solely for purposes of settlement negotiations, are  
9 inadmissible in any subsequent administrative hearing. (See A.R.S. § 41-1092.06 for rules regarding  
10 informal settlement conferences.) Conversely, any written or oral statement made by Respondents  
11 outside an Informal Settlement Conference is not barred from being admitted by the Department in  
12 any subsequent hearing.

13 If Respondents do not request a hearing, this Order shall become final. If Respondents  
14 request a hearing, the purpose of the hearing shall be to determine if grounds exist for: (1) the  
15 issuance of an order pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the  
16 violative conduct and to take the appropriate affirmative actions, within a reasonable period of time  
17 prescribed by the Superintendent, to correct the conditions resulting from the unlawful acts,  
18 practices, and transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-  
19 132; (3) the suspension or revocation of Respondents' license pursuant to A.R.S. § 32-1053; and (4)  
20 an order or any other remedy necessary or proper for the enforcement of statutes and rules regulating  
21 collection agents pursuant to A.R. S. §§ 6-123 and 6-131.

#### 22 FINDINGS OF FACT

23 1. Respondent Lien and Bond Services, L.L.C. ("LBS") is an Arizona corporation  
24 authorized to transact business in Arizona as a collection agency, license number CA 90908133,  
25 within the meaning of A.R.S. §§ 32-1001, *et seq.* The nature of LBS's business is that of soliciting  
26 claims for collection and collection of claims owed, due or asserted to be owed or due within the

1 meaning of A.R.S. §§ 32-1001(A)(2)(a) and (A)(5).

2       2.       Respondent Julia D'Alfonzo ("Ms. D'Alfonzo") is the President of LBS. Ms.  
3 D'Alfonzo is authorized to transact business in Arizona as a collection agency within the meaning of  
4 A.R.S. §§ 32-1001(A)(2)(a) and (A)(5).

5       3.       Neither LBS nor Ms. D'Alfonzo is exempt from licensure as a collection agency  
6 within the meaning of A.R.S. § 32-1004.

7       4.       On January 19, 2007, the Department conducted an examination of LBS's business  
8 affairs. As a result of the examination, the Department discovered that LBS and Ms. D'Alfonzo:

9               a.       Failed to notify the Superintendent within ten (10) days of the active  
10 manager's, Ms. D'Alfonzo, failure to perform the duties of active manager from  
11 approximately March 2005 through December 2006;

12              b.       Failed to maintain all records required and make them available for  
13 examination, investigation or audit within three (3) working days after demand, specifically:

14                   i.       Failed to provide the information requested at the beginning of the  
15 examination, on January 19, 2007; and

16                   ii.      Failed to provide the complete information to the examiner on either  
17 January 26 or 29, 2007;

18              c.       Failed to file an annual financial statement with the Department;

19              d.       Failed to keep and maintain the trust account reconciliation, specifically:

20                   i.       Failed to provide a listing of all collection transactions; and

21                   ii.      Failed to reconcile the bank accounts at least once per month,  
22 including the operating and trust accounts;

23              e.       Failed to keep and maintain a trust general ledger reflecting all deposits to and  
24 payments from the trust account, specifically:

25                   i.       Failed to provide a trust general ledger and a trust sub-ledger at the  
26 beginning of the examination; and

1                   ii.       Commingled certain books and records with those of Ms. D'Alfonzo's  
2 other businesses, including Lien and Bond Private Investigative Services, LLC;

3                   f.       Failed to withdraw from its trust account all fees and commissions due to LBS  
4 under its contract with a client and deposit them directly into its own operating account,  
5 specifically:

6                   i.       LBS transferred earned commissions/fees to its operating account on  
7 an as needed basis;

8                   ii.       Ms. D'Alfonzo's other business, Lien and Bond Private Investigative  
9 Services, LLC, occasionally borrowed funds from LBS's trust account; and

10                  iii.       LBS is unable to identify its commissions/fees in the trust account;

11                  g.       Failed to keep and maintain books and records to provide a clear and readily  
12 understandable record of all business conducted by the collection agency for examination,  
13 specifically:

14                  i.       Failed to maintain financial records and other information for 2006;  
15 and

16                  ii.       Failed to provide records regarding the transaction history, revenues  
17 and expenses generated by the collection activities;

18                  h.       Failed to keep and maintain records or books of account listing all clients'  
19 accounts, specifically:

20                  i.       Failed to reconcile its trust account record at the end of each calendar  
21 month since the license was granted;

22                  i.       Failed to adequately maintain its trust account, specifically:

23                   i.       Transferred ten thousand dollars (\$10,000.00) to an affiliate company  
24 for "corporate moving expenses;" and

25                   ii.       Failed to identify the owners of twenty three thousand, forty one  
26 dollars and fifty eight cents (\$23,041.58) in trust funds;

1           j.       Used letterhead or literature representing that LBS practices law, renders legal  
2 services or maintains a legal department, specifically:

3                   i.       Issued a letter stating, "If our office is not in receipt of said amount,  
4 made to Lien & Bond Investigative Services on or before 7 days from today date, or if a  
5 positive payment arrangement has not been made with out office, litigation may ensue  
6 shortly, thereafter..."; and

7                   ii.      Used a letterhead which included its affiliate company, Lien and Bond  
8 Investigative Services, giving the impression that the investigation service and collection  
9 agency service are the same; and

10           k.       Hired at least four (4) independent contractors to conduct collection activities.

11       5.       These Findings of Facts shall also serve as Conclusions of Law.

12                                   **CONCLUSIONS OF LAW**

13       1.       Pursuant to Title 6 and Title 32, Chapter 9, of the Arizona Revised Statutes, the  
14 Superintendent is charged with the duty to regulate all persons engaged in the collection agency  
15 business and with the enforcement of statutes, rules and regulations relating to collection agencies.

16       2.       By the conduct set forth in the Findings of Fact, LBS and Ms. D'Alfonzo have  
17 violated statutes and rules governing collection agencies as follows:

18                   a.       A.R.S. § 32-1023(C), by failing to notify the Superintendent within ten (10)  
19 days of the active manager's failure to perform her duties of active manager from  
20 approximately March 2005 through December 2006;

21                   b.       A.A.C. R20-4-1504(D), by failing to maintain all records required and make  
22 them available for examination, investigation or audit within three (3) working days after the  
23 demand;

24                   c.       A.R.S. § 32-1025(A), by failing to file an annual financial statement with the  
25 Department;

26                   d.       A.A.C. R20-4-1504(B)(5), by failing to keep and maintain the trust account

1 reconciliation;

2 e. A.A.C. R20-4-1504(B)(4), by failing to keep and maintain a trust general  
3 ledger reflecting all deposits to and payments from the trust account;

4 f. A.A.C. R20-4-1505(E), by failing to withdraw from its trust account all fees  
5 and commissions due to LBS under its contract with a client and deposit them directly into its  
6 own operating account;

7 g. A.A.C. R20-4-1504(B)(6), by failing to keep and maintain books and records  
8 to provide a clear and readily understandable record of all business conducted by the  
9 collection agency for the examination;

10 h. A.A.C. R20-4-1504(B)(1), by failing to keep and maintain records or books of  
11 account listing all clients' accounts;

12 i. A.A.C. R20-4-1505(C) and 1505(F), by failing to adequately maintain its trust  
13 account;

14 j. A.R.S. § 32-1051(6), by using letterhead or literature representing that LBS  
15 practices law, renders legal services or maintains a legal department; and

16 k. A.R.S. § 32-1055(B), by hiring at least four (4) independent contractors to  
17 conduct collection activities.

18 3. The violations set forth above constitute grounds for: (1) the issuance of an order  
19 pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the violative conduct and  
20 to take the appropriate affirmative actions, within a reasonable period of time prescribed by the  
21 Superintendent, to correct the conditions resulting from the unlawful acts, practices, and  
22 transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-132; (3) the  
23 suspension or revocation of Respondents' license pursuant to A.R.S. § 32-1053; and (4) an order or  
24 any other remedy necessary or proper for the enforcement of statutes and rules regulating collection  
25 agencies pursuant to A.R.S. §§ 6-123 and 6-131.

26 ...

**ORDER**

1. LBS and Ms. D'Alfonzo shall correct all violations set forth in the Findings of Fact and in the Report of Examination. LBS and Ms. D'Alfonzo:

a. shall notify the Superintendent within ten (10) days if the active manager fails to perform the duties of active manager;

b. shall maintain all records required and make them available for examination, investigation or audit within three (3) working days after demand;

c. shall file an annual financial statement with the Department;

d. shall keep and maintain the trust account reconciliation;

e. shall keep and maintain a trust general ledger reflecting all deposits to and payments from the trust account;

f. shall withdraw from its trust account all fees and commissions due to LBS under its contract with a client and deposit them directly into its operating account;

g. shall keep and maintain books and records to provide a clear and readily understandable record of all business conducted by the collection agency for examination;

h. shall keep and maintain records or books of account listing all clients' accounts;

i. shall adequately maintain its trust account;

j. shall not use letterhead or literature representing that the licensee practices law, renders legal services or maintains a legal department; and

k. shall not hire independent contractors to conduct collection activities.

2. LBS and Ms. D'Alfonzo shall pay a civil money penalty in the amount of ~~four~~ <sup>five</sup> hundred dollars (\$500.00) ~~thousand dollars (\$4,000.00)~~. LBS and Ms. D'Alfonzo are jointly and severally liable for payment of the civil money penalty.

3. The provisions of this Order shall be binding upon LBS and Ms. D'Alfonzo, their employees, agents and other persons participating in the conduct of the affairs of LBS.

1           4.       This Order shall become effective upon service, and shall remain effective and  
2 enforceable until such time as, and except to the extent that, it shall be stayed, modified, terminated  
3 or set aside.

4           SO ORDERED this 10 day of July, 2007.

5                               Felecia A. Rotellini  
6                               Superintendent of Financial Institutions

7                               By   
8                               Robert D. Charlton  
9                               Assistant Superintendent

9                               **CONSENT TO ENTRY OF ORDER**

10           1.       Respondents acknowledge that they have been served with a copy of the foregoing  
11 Findings of Fact, Conclusions of Law, and Order in the above-referenced matter, have read the  
12 same, are aware of their right to an administrative hearing in this matter, and have waived the same.

13           2.       Respondents admit the jurisdiction of the Superintendent and consent to the entry of  
14 the foregoing Findings of Fact, Conclusions of Law, and Order.

15           3.       Respondents state that no promise of any kind or nature has been made to induce  
16 them to consent to the entry of this Order, and that they have done so voluntarily.

17           4.       Respondents agree to cease from engaging in the violative conduct set forth above in  
18 the Findings of Fact and Conclusions of Law.

19           5.       Respondents acknowledge that the acceptance of this Agreement by the  
20 Superintendent is solely to settle this matter and does not preclude this Department, any other agency  
21 or officer of this state or subdivision thereof from instituting other proceedings as may be  
22 appropriate now or in the future.

23           6.       Ms. Julia D'Alfonzo, President of Lien and Bond Services, L.L.C., represents that she  
24 is the President and as such, has been authorized by Lien and Bond Services, L.L.C. to consent to the  
25 entry of this Order on its behalf.

26           7.       Respondents waive all rights to seek judicial review or otherwise to challenge or



1 contest the validity of this Cease and Desist Order.

2 DATED this 9<sup>th</sup> day of August, 2007.

3  
4 By: Julia D'Alfonzo

5 Julia D'Alfonzo, President  
6 Lien and Bond Services, L.L.C.

7 ORIGINAL of the foregoing filed this 10 day  
8 of July, 2007, in the office of:

9 Felecia A. Rotellini  
10 Superintendent of Banks  
11 Arizona State Banking Department  
12 ATTN: June Beckwith  
13 2910 N. 44th Street, Suite 310  
14 Phoenix, AZ 85018

15 COPY mailed same date to:

16 Erin O. Gallagher  
17 Assistant Attorney General  
18 Office of the Attorney General  
19 1275 West Washington  
20 Phoenix, AZ 85007

21 Robert D. Charlton, Assistant Superintendent  
22 Jack Watson, Financial Institution Examiner Sr.  
23 Arizona Department of Financial Institutions  
24 2910 N. 44th Street, Suite 310  
25 Phoenix, AZ 85018

26 AND COPY MAILED SAME DATE by  
Certified Mail, Return Receipt Requested, to:

Julia D'Alfonzo, President  
Lien and Bond Services, L.L.C.  
1859 North Rosemont  
Mesa, AZ 85205  
Respondents

J. Cauer  
1013846; EPA07-149